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County of Orange

RESTRUCTURING PLAN for
THE COUNTY OF ORANGE

Prepared for:

Orange County Board of Supervisors
June 1996

Introduction and Overview

Introduction

The restructuring of local government and the services it provides is an enormous and complex undertaking. In Orange County alone, over 200 independent public agencies deliver $11 billion of goods and services annually. In the absence of a blueprint for the efficient and effective interrelationships of these agencies, their employees, and the services they deliver, it is no surprise that Orange County's local government system is in need of restructuring. It is important to recognize, however, that it is the absence of such a blueprint that created this need, *not* the County's bankruptcy. What the bankruptcy did was make us focus on the deficiencies of an outdated governance and service delivery system - a system which was designed to serve one-tenth of the population it now serves.

Successful restructuring of local government can only be achieved with the cooperation of all segments of the community and I believe that the County must take a leadership role in this effort. The County can do so by evaluating itself first: its management, its structure, and the very services it provides. By taking this step, the County can achieve two important objectives. First, we can lead by example. By quickly and decisively implementing our own well thought-out restructuring program, we can lay the groundwork for discussions with our local government partners on external restructuring. Second, we can take a crucial step in the County's recovery effort by taking action to ensure efficient service delivery and fiscal prudence.

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This document will: (i) report the results of my office's efforts following your April 9, 1996, direction to develop a restructuring plan ; (ii) present specific actions I intend to implement, with Board concurrence, over the next three months as the first step in restructuring County government; and (iii) present actions for implementing additional internal, and the commencement of, external restructuring.

This document is intended to serve as a starting point for a comprehensive restructuring effort. It does not, and cannot, provide all the answers to the functional and organizational questions before us. Policy guidance from the Board with respect to the mission, goals, and overall direction of this restructuring effort is necessary before we can initiate a process which will identify, quantify, and achieve specific cost savings and service efficiencies. It is also important to recognize that these savings and efficiencies will not be realized overnight, but will be achieved over time as the County becomes more focused on our core businesses and more efficient in fulfilling responsibilities associated with those businesses.

Mission

The County of Orange with its nearly 15,000 employees and $3 billion annual budget does not currently have a mission statement. This, I believe, is symptomatic of the rapid and often reactive evolution of the County as it has tried to meet the needs of a booming economy and exploding population.

A mission statement is a tool we can use in determining whether certain structural and service elements should be retained within or added to the County, considered for realignment to either the private sector or to another segment of local government, or eliminated altogether. Our restructuring effort must begin with a clear understanding of our mission and our core businesses. Accordingly, I am proposing the following:

> *The County of Orange is a regional service provider and planning agency representing all residents of Orange County. Our core businesses are: public safety, public health, environmental protection, regional planning, public assistance, social services, and aviation.*

Goals

To help guide the development of a restructuring plan that truly supports and achieves our mission, I have defined a number of goals. These goals will act as a day-to-day guide in assessing the business plans and implementation steps I am proposing be developed for all County departments. They reflect input I have received from the Board, County staff, and groups within the Orange County community. The goals also reflect my personal philosophy that local government needs to be efficient and responsive to the people it serves. I believe each of these goals is consistent with the Board's objectives for efficient and effective government:

- ❑ Identify and provide core services with a commitment to quality and cost efficiency.
- ❑ Be aware of, and responsive to, community needs.
- ❑ Ensure accountability for the services the County provides by clearly defining departmental roles and responsibilities.
- ❑ Operate as a team that shares common goals and objectives. Support County employees, from top management to line staff, in their efforts to provide quality and cost effective services.
- ❑ Seek out and utilize private sector input and expertise to facilitate first rate planning and service delivery.
- ❑ Procure the best available technology to achieve service efficiencies and assist in communications, both internal and external.

Restructuring Process

This restructuring plan outlines a process with two distinct, but interrelated components: *internal* restructuring, focusing on the County, and *external* restructuring, relating to the County's relationships with our local government partners. The internal restructuring process is also segregated into two distinct, and again, interrelated parts. My initial focus is on those segments of the County that generally provide support

to other County agencies and departments and report to the Board through the CEO. Therefore, Phase One of the internal restructuring plan focuses first on the Chief Executive Office, Environmental Management Agency, and the General Services Agency. Phase Two of the internal process will shift focus to the remaining line departments and those managed by elected officials. External restructuring efforts will focus on three important themes: County/City responsibilities, special district consolidation, and surface transportation.

Recommended Actions

I am proposing a series of recommended actions for the Board's consideration. These actions should not be viewed in isolation, but as part of a coordinated, cohesive plan which is designed to create a new service-oriented, cost effective organization *inside* the County and to initiate a cooperative process focused on improving service delivery with our local partners *outside* the County.

1. Approve the Mission, Goals and action plan defined in the "Restructuring Plan for the County of Orange" as prepared and presented by the Chief Executive Officer.

2. Direct the CEO to take all steps necessary to eliminate the General Services Agency (GSA) and transfer those functions currently performed by GSA to other existing departments.

3. Direct the CEO to take all steps necessary to eliminate the Environmental Management Agency (EMA). Create two smaller, focused departments: Planning and Development Services, and Public Works. Transfer those functions currently performed by EMA to other existing departments or to the new Planning and Development Services or Public Works Departments.

4. Direct the CEO to return to the Board in September 1996, with business plans for the Chief Executive Office, Planning and Development Services Department, and Public Works Department.

5. Direct the CEO to initiate the "Phase Two" internal restructuring process outlined in the "Restructuring Plan for the County of Orange" with respect to all remaining departments, including those managed by elected officials.

6. Direct the CEO to initiate the external restructuring process outlined in the "Restructuring Plan for the County of Orange" specifically focusing on: (i) County/City responsibilities; (ii) special district consolidation; and (iii) surface transportation.

Conclusion

The County has worked very hard to have our Plan of Adjustment approved by the federal bankruptcy court. We have worked equally hard to market bonds to pay our debts and meet our financial obligations. We must follow this hard work with decisive action that demonstrates to Wall Street - and to "Main Street" - we are serious about restructuring and cutting the cost of government, we are serious about establishing the County of Orange as a leader in service delivery, and we are committed to positioning Orange County for economic growth and strength in the 21st Century.

On a final note, in this time of questions about the role and function of the County in the local government arena, it is important to recognize that the County has historically provided, and continues to provide, many essential services with efficiency, dedication, and skill. Simply, there are some things the County does well, and should continue to do. The Natural Communities Conservation Plan, the Sheriff's Department "Drug Abuse is Life Abuse" program, the John Wayne Airport Improvement Project, and the Probation Department research, "The 8% Problem: Chronic Juvenile Offender Recidivism" and the resulting "8% Early Intervention Program" are a few examples of the projects the County has initiated and implemented with great success. As we begin this restructuring process, it is important that we take pride in our abilities and accomplishments, and move forward to the new century with vision and enthusiasm.

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Mission Statement

The County's restructuring plan begins with defining our "mission." In many respects, this is done for us by state and federal mandates which require us to deliver specific services and which require a local financial or staffing contribution to support those services. As a result of these mandates, local government, and particularly the County, differ from private enterprise because we are not permitted to choose many of the businesses we are in based on profitability or ease of management. We cannot, however, allow this distinction to dampen our commitment to excellence or our willingness to re-think "the way we do business." The County clearly has some flexibility in deciding how to manage the services it must provide, to what level it provides them, and the role private enterprise can play in assisting in and delivering those services.

In recognition of both the limits placed on, and opportunities available to, the County, I offer the following as our "mission" for the future:

> *The County of Orange is a regional service provider and planning agency representing all residents of Orange County. Our core businesses are: public safety, public health, environmental protection, regional planning, public assistance, social services, and aviation.*

As we implement our restructuring plan, both internally and externally, our mission will be a guide to help determine whether certain structural and service elements should be retained within or added to the County, eliminated altogether, or considered for realignment to either the private sector or to one of our local government partners.

Restructuring Process

A key ingredient that has been missing in the County's historical organizational structure is accountability. By this I mean that the County's structure did not clearly define roles and responsibilities of individual departments, nor did it provide for centralized executive oversight. Our restructuring effort will take steps to ensure accountability in the future by clearly identifying line departments and the services they provide and by giving those departments the resources and authority necessary to carry out their mission. In a nutshell, good management of a service will be the singular responsibility of a line department manager. Strong, central management, equally important for accountability, will be provided by the Office of the CEO which will be responsible for fiscal controls, policy coordination and implementation, and external communication.

Our restructuring effort will take steps to ensure accountability in the future by clearly identifying line departments and the services they provide and by giving those departments the resources and authority necessary to carry out their mission.

An implementation schedule for each of the components of the restructuring plan is presented below. This schedule reflects the need to act quickly in addressing certain issues as well as the importance of approaching other issues, particularly relationships outside the County, in a measured way and with sufficient time for additional public input.

Public Input

Perhaps no other public policy issue in Orange County has received more input and citizen study than local government restructuring. Our initial review indicates no less than eight substantive restructuring

studies in the past few years, prepared by parties ranging from private foundations to the Grand Jury. (Please refer to Appendix A for a brief description of these studies.) Three characteristics of effective organizations appear frequently in most of these studies: greater cost efficiency, greater public accountability, and increased privatization. All three are incorporated in the restructuring plan presented here.

The most recent restructuring effort was undertaken, at the direction of the Board of Supervisors, by the Government Practices Oversight Committee (GPOC). This group, comprised of public and private sector members, has obtained extensive comment from the general public, County employees, and vendors on the subject of restructuring. I am pleased to have the benefit of GPOC's efforts and look forward to their final report. Citizen input of the caliber offered by GPOC is vital to the success of both our internal and external restructuring efforts.

The external restructuring process I am proposing to undertake with our local government partners will undoubtedly be of great interest to many in the Orange County community. It is as important to solicit, understand and incorporate public input on our external restructuring efforts as it is on our internal process. We will make every effort to do so.

I am pleased to report that I have already initiated one public input conduit I believe will yield tremendous results for us. I have asked the Orange County Business Council to designate a single point of contact within its organization to serve as our private sector resource on the overall restructuring process. I have also requested that the Business Council designate specific resources with respect to privatization opportunities and technology initiatives for the County. The Orange County business community is a multi-talented resource and, I believe, will be a valuable aid to my staff, and ideally all County departments. The Business Council has indicated that it is eager to assist us and looks forward to working with the County on these important issues over the coming year.

Internal Restructuring - Phase One

I have chosen, in this phase, to focus on the County Executive Office, the General Services Agency and the Environmental Management Agency. I have identified these functions for early attention for two reasons. First, I believe we can achieve rapid and significant efficiencies *inside* the County structure by restructuring the two County units whose primary function is to provide service to other County departments: CEO and GSA. Second, by focusing on EMA, we can ensure that support of public projects and services, not support of an administrative structure, are our highest priority. I want to emphasize here that Phase One of the restructuring plan does not cut services. Rather it moves decisively to cut administrative costs, improve efficiency, and ensure greater accountability.

This phase will centralize certain functions in the CEO's office and decentralize other functions to the departments. As a result, the Board is assured of important policy coordination and fiscal accountability, while individual departments will be able to operate with greater independence, greater resources, and thus greater efficiency.

County Executive Office

Phase One of the internal restructuring plan is based on the premise that the County must have centralized executive oversight to ensure fiscal integrity, policy coordination, and general management accountability. Therefore, I have chosen to begin the restructuring process in the County Executive Office. Just as I believe the County must take a leadership role in restructuring local government, I believe my office must play a similar part inside the County. The changes I plan to make in the CEO's office will result in a strong, flexible, responsive, and accountable unit - able to overcome current challenges and meet those of the future.

The County Executive Office will be restructured into five primary functions, each led by an "Assistant Chief Executive Officer." Each of the five Assistant CEOs will prepare a business plan for his/her assigned activities and will report annually to the CEO on the progress of the plan. In preparing and implementing the business plans, I will encourage each Assistant CEO to identify and utilize a core group of experts from both the public and private sector who can provide valuable experience and expertise.

With few exceptions, CEO staff will report to one of the five Assistant CEOs. It is important to note that this structure does not alter the current reporting relationship in which line department heads report directly to the CEO.

This structure is intended to provide the Board and line departments with a clear, logical organization to help guide and assist in the development and coordination of departmental and County-wide policy, planning and legislative initiatives, budget preparation and management, technology requirements, and Board agenda preparation and scheduling.

A description of the five Assistant Chief Executive Officer positions and their respective responsibilities is presented below:

- Assistant CEO/Chief Financial Officer:

  Strong financial controls will be placed under the direct responsibility of the Assistant CEO/Chief Financial Officer. In addition to the budget and risk management responsibilities (currently in the CEO's office), the following functions will be transferred to the CFO from other departments:

Function	Current Department
Purchasing	GSA
Real Estate Services	GSA
Community Service Agencies	EMA

  Typically in the private sector, and often in the public sector, the responsibilities of the Auditor-Controller and the Treasurer/Tax Collector are under the direct management of a CFO. Last

March, however, the voters decided to retain these functions under elected leadership. In recognition of the desires of the voters, and the need to coordinate these responsibilities, I will form a "Finance Cabinet" to facilitate coordination of every aspect of the County's financial management system. The Cabinet will be chaired by the CFO and will include the two elected officials referenced above. The cabinet will meet regularly to: (i) coordinate their respective activities; (ii) exchange ideas, data and reports; and (iii) ensure that all their activities follow a single financial strategic plan with a reporting system designed to provide the Board, the CEO, and the public with timely, pertinent data presented in a user-friendly format.

- Assistant CEO/Human Resources

Today, Human Resources is a stand-alone department. It will be consolidated into the CEO's office with oversight provided by the Assistant CEO/Human Resources. The CEO's office will concentrate on employee relations, labor agreements, benefit plans, general personnel policies, and other oversight functions necessary to protect County resources. One of my goals with respect to Human Resources is to transfer those responsibilities and resources to line departments that can increase efficiency and provide managers with maximum flexibility in responding to departmental tasks such as recruitment and job classification.

- Assistant CEO/Information & Technology

In interviewing County line departments, GPOC confirmed what we have all suspected for some time - that the County lacks a county-wide technology development plan. This new position will be tasked with creating a short, medium, and long term "technology master plan" to improve communications, resource management, and service delivery. In addition, the Assistant CEO/Information &Technology will be responsible for developing a capital improvement budget for the "technology master plan" and will supervise core functions associated with its development and implementation.

The following functions, which will be examined later in the restructuring process for privatization opportunities, will be transferred to the Assistant CEO/Information & Technology from other departments:

Function	Current Department
Data Processing	GSA
Material/Records Management	GSA
Reprographics	GSA
Telephone/Computer	GSA

- Assistant CEO/Public Affairs

Management of the County's advocacy efforts in Sacramento and in Washington D.C., intergovernmental affairs, media relations, and public information will be the responsibility of the Assistant CEO/Public Affairs. This position will be tasked with developing a cohesive legislative strategy that allows us to be proactive in our advocacy and to capitalize on both internal and external partnering.

As we learned in the days and months following the declaration of bankruptcy, the County currently has neither the structure nor the resources to provide accurate and timely information regarding the County, its responsibilities, and its actions to the public or the media. The Assistant CEO/Public Affairs will develop and implement a comprehensive public information and media outreach program.

- Assistant CEO/Strategic Affairs

At any given time, the Board faces with major regional issues requiring top level staff attention and interdepartmental coordination. This position will provide that support to the Board and CEO in understanding and responding to such issues.

The County traditionally sponsors major regional projects from recreation to the toll roads concept. We play an important role in

planning and data collection that ranges from demographics to air quality to affordable housing. The Assistant CEO/Strategic Affairs is critical to our success in fulfilling our responsibilities as a regional planning agency.

Additionally, in the past, the County has been justly criticized for having too many different staff "messengers" for Board policies on intergovernmental issues. This position will provide assurance to cities, special districts, and other regional bodies that a senior County executive will be available to support and assist Board members with these agencies.

Environmental Management Agency

The Environmental Management Agency delivers a variety of services to the public, including planning, redevelopment, flood control, recreation, transportation and more. In reviewing EMA's diverse functions, I have been unable to identify either synergies or cost savings associated with combining such diverse services. I am also convinced that we can, by restructuring EMA, ensure the more efficient dedication of public resources directly to projects and services. Therefore, I am recommending that the Environmental Management Agency be eliminated and replaced with two smaller, more focused and streamlined, departments: (i) Planning and Development Services; and (ii) Public Works. Separating EMA into two smaller departments will eliminate a layer of management and organize functions into their core competencies, thus facilitating both cost efficiencies and service responsiveness. The two new small departments will also give the Board and the public a clear understanding of their specific mission and the dollars we spend on services.

Housing and Community Development will temporarily operate as a separate department and will be evaluated during Phase Two.

- Planning and Development Services Department

  This new department will consist of the current Planning and Building & Development Services sections, as well as redevelopment functions.

When I return to the Board in September with a specific business / implementation plan, I will be particularly sensitive to the need to include all planning functions into this department to create a "one-stop shop" for the general public and for the building industry. A little more than a year ago, the Building Industry Association, at the request of the Board (part of the Privatization Task Force) examined this "one-stop" core function and issued a report on the matter. We will use that report as a key resource and will involve the users closely in the development of our business plan.

- Public Works Department

  The new Public Works Department will incorporate the following: Survey; Flood Control; Transportation; Harbors, Beaches and Parks; Architect and Engineering; and Facilities and Vehicle Maintenance.

  After the initial consolidation of these services, my intention is to examine each function for further restructuring with the goal of focusing the Public Works Department on one core competency: maintenance. Additionally, some of these functions may be candidates for outsourcing to the private sector or to other government agencies.

General Services Agency

The General Services Agency provides services primarily to other County departments, including maintenance, communications, data processing, telephones, and purchasing, to name a few. I am recommending the break-up and reassignment of the General Services Agency. By doing away with a single, multi-purpose agency, and shifting resources and responsibility to individual departments, we can facilitate more flexible, more accountable and more cost-effective service delivery.

In identifying GSA for elimination, I want to address the current inefficient splintering and duplication of staff support functions. Today, a line department is often dependent on other departments and functions for

services such as purchasing, vehicle maintenance, recruitment, etc. In some cases a line department researches, develops and proposes a project which must then be reviewed and/or re-analyzed by at least one (and sometimes more than one) department or function. This unnecessary duplication of effort results in overhead charges, wasted staff time, and general project inefficiency.

I believe that substantial savings in staff resources and cost can be achieved by transitioning support personnel from their current locations to the line departments. For example, GSA currently provides staff support to various departments to handle purchasing needs; this practice is often referred to as "outstationing". I will direct that a key goal of the business plans which will be prepared during Phase One and Phase Two will be to reduce or eliminate the practice of outstationing employees in favor of providing departments with the flexibility, the responsibility, and the staff resources to complete their own projects internally. By making individual departments responsible for their own purchasing, facilities support, recruitment, and certain other functions, the County can greatly reduce and, in some cases eliminate, duplication of effort and costly overhead charges resulting in more cost effective and efficient service delivery.

This report has previously addressed the transfer of certain functions from GSA to the Chief Executive Office. Additional functional transfers are proposed from GSA to the new Public Works Department: (i) Architect and Engineering Services; (ii) Facilities Operations; and (iii) Transportation and Vehicle Management.

Those portions of the Communications Division not transferred to the CEO will be shifted to the Sheriff-Coroner Department. At this time, the Registration and Elections and Library functions will not be reassigned, but will be evaluated in Phase Two of the internal restructuring process.

Implementation Schedule

The first step in implementing Phase One of the restructuring plan will take place between June and September of this year. During this period, the five new Assistant CEO's and the Directors of the new Public Works and Planning and Development Services Departments will prepare business plans for their respective organizations. The business plans

will identify: (i) the new personnel and functional organization of the section; (ii) cost savings anticipated in fiscal year 1996-97 and potential cost saving measures proposed for fiscal year 1997-98; and (iii) service efficiencies and/or enhancements resulting from the proposed structure. In September, 1996, the CEO will report to the Board on these individual business plans and action steps to ensure the plan goes forward.

From October 1996 through March 1997, the five Assistant CEO's and the Directors of the new Public Works and Planning and Development Services Departments will begin implementing the various financial, structural, and service-related elements of their respective business plans. In addition, identification and evaluation of cost saving and other financial efficiency measures will be completed and incorporated in their respective submittals for the fiscal year 1997-98 County budget. Also during this period, the restructuring steps presented in my April 1996 issue paper will be incorporated into departmental business plans: (i) development of a privatization plan to identify functions which can be "outsourced" to the private sector without raising costs or degrading services; (ii) development of a technology plan which can be incorporated into the County's overall technology master plan (to be overseen by the Assistant CEO, Information & Technology); and (iii) identification of issues related to regional governance which should be incorporated in the County's external restructuring efforts.

Internal Restructuring - Phase Two

In this phase, the focus will shift to line departments (Community Services Agency, Health Care Agency, John Wayne Airport, Probation Department, and Social Services Agency), departments managed by elected officials (Assessor, Auditor-Controller, Clerk-Recorder, District Attorney, Public Defender, Sheriff-Coroner, Treasurer), and the courts and Marshall.

Phase Two of the internal restructuring plan begins with an internal analysis of the departments in June and extends into September of this year. A presentation of this analysis, and resulting recommendations, will be presented to the Board in September, 1996. Beginning in September and continuing into January, 1997, these departments will be tasked with developing business plans for their respective organizations. They will also begin implementing the same restructuring steps referenced above with respect to privatization, technology, and budget. The Phase Two business plans will be presented to the Board in January, 1997 with implementation to follow.

I intend to achieve substantial progress on both Phase One and Phase Two of the internal restructuring plan in time to incorporate appropriate recommendations in the fiscal year 1997-98 County budget.

External Restructuring

Ideally, the entire internal restructuring process would be complete prior to engaging in dialogue with other local government partners on external restructuring. This would allow us to determine: (i) which services the County can and should continue to provide in accordance with our mission; (ii) the role the private sector should have in providing services traditionally provided by the public sector; and (iii) which services are more appropriately delivered by other public entities.

However, we do not have the luxury of time. The public remains angry about the bankruptcy and even the significant staff and budget cuts we have achieved to date are not perceived as a meaningful change in "the way we do business." The State Legislature is beginning to consider pursuing Sacramento-led initiatives. The League of Cities, water districts, and others are actively seeking county-wide restructuring. These discussions, and the potential long term service-related impacts associated with their outcome, are important to the communities we serve. And they are too important for us to defer, even in light of the need for timely self-evaluation.

These discussions, and the potential long term service-related impacts associated with their outcome, are important to the communities we serve.

I believe the County should enter into external restructuring discussions with its stated mission, goals, and certain key principals in mind. These key principals include:

- The County should maintain its role as the only general-purpose service provider and regional planning body serving all Orange County residents.

- When services (not short term or project specific) are delivered to the general public, the governing body with ultimate responsibility should be directly elected by the public. JPAs - which dilute accountability - should be avoided, except in the case of short term services or projects or where a service is joint ventured, but where the governing board is ultimately directly elected by the general public.

- We should strive for more accountable local government by reducing the overall number of agencies we have today and by intelligently combining services to allow the public to easily understand the mission, funding, and governance of each agency.

The most fruitful discussions will occur when agencies with common missions meet to focus on issues they can impact. For this reason, I am proposing that the County initiate a series of external restructuring discussions in three specific areas with which we are directly involved today: County/City responsibilities, special district consolidation, and surface transportation. Each of these areas, and general parameters for the proposed discussions, are discussed further below.

County/City Responsibilities

I propose that the County, led by one or two members of the Board of Supervisors, invite the League of Cities, non-League member cities, and the Municipal Advisory Councils (MACs) to join in identifying short, medium, and long term goals for restructuring the current configuration of County and City responsibilities. The County would enter these discussions prepared to address a broad range of issues, including:

- County islands/unincorporated areas
- the Council of Governments
- consolidation of regulatory and permitting processes
- existing service JPA's
- municipal services currently provided by the County

Both the County and the League of Cities have called upon professional facilitators in the past to establish general parameters for particularly important and delicate discussions. I propose that such a professional be retained to aid participants: (i) identify and prioritize issues for the

group's consideration; (i) ensure that the discussions remain focused and moving forward; and (iii) provide an element of objectivity which only a non-stakeholder can bring to such a discussion.

In recent months, the County, the League of Cities and various individual city representatives have been somewhat at odds over the issue of whether a new Council of Governments (COG) should assume responsibility for certain regional policy-formulation issues and services. While a number of cities have endorsed the concept of a COG, I have been reticent to recommend participation in such a construct for two reasons. First, the public has told us, in no uncertain terms, to cut layers out of government and this appears to be the addition of a new and potentially duplicative layer. Second, there have not been substantive and detailed discussions regarding the short, medium, and long term ramifications of such an organization on the delivery of services to Orange County's residents. I have previously indicated that I, as the CEO, am unprepared to make a recommendation to the Board of Supervisors either in support or opposition to the COG without additional clarification with respect to just such issues.

I believe that the County should recognize that the concept of a COG is attractive to some, largely because it begins to address, theoretically, the issue of which member(s) of local government should play what role(s) and assume what responsibilities in the Orange County region. It is this very issue of roles and responsibilities that I recommend the Board begin addressing today, in cooperation with all Orange County cities.

Special District Consolidation

I recommend that the County invite all special districts, including water districts, sanitation districts, etc. to participate in a forum to discuss consolidation and a new service delivery system. The water districts have already begun this discussion and are to be commended for their initiative. The County would participate in these discussions, as a result of its flood control and solid waste responsibilities. I propose the County, led by one or two Supervisors, begin working with the Special Districts to set and achieve specific goals. In all these efforts, we must not lose sight of the fact that cost-effective service and high levels of customer satisfaction are our goal, <u>not</u> consolidation for consolidation's sake.

Surface Transportation

I recommend that the County invite OCTA and the Transportation Corridor Agencies to participate in discussions regarding short, medium and long term surface transportation service goals and structures.

The voters of Orange County have supported significant funding programs for surface transportation improvements ranging from the Measure M program to toll roads. The County, in both examples, had the initial responsibility to identify the long term needs, create a solution and sponsor the implementing agency. As a regional planning agency, we must look beyond the current Measure M and toll road programs to solutions well into the 21st century. Our discussions would focus on a new planning and service delivery model to transcend current funding sources.

Recommended Actions

1. Approve the Mission, Goals and action plan defined in the "Restructuring Plan for the County of Orange" as prepared and presented by the Chief Executive Officer.

2. Direct the CEO to take all steps necessary to eliminate the General Services Agency (GSA) and transfer those functions currently performed by GSA to other departments.

3. Direct the CEO to take all steps necessary to eliminate the Environmental Management Agency (EMA). Create two smaller, focused departments: Planning and Development Services, and Public Works. Transfer those functions currently performed by EMA to other existing departments or to the new Planning and Development Services or Public Works Departments.

4. Direct the CEO to return to the Board in September with business plans for the Chief Executive Office, Planning and Development Services Department, and Public Works Department.

5. Direct the CEO to initiate the "Phase Two" internal restructuring process outlined in the "Restructuring Plan for the County of Orange" with respect to all remaining line departments, including those managed by elected officials.

6. Direct the CEO to initiate the external restructuring process outlined in the "Restructuring Plan for the County of Orange" specifically focusing on: (i) City/County responsibilities; (ii) special district consolidation; and (iii) surface transportation.

Appendix A: Restructuring Studies and Reports

Government Practices Oversight Committee (GPOC)

The Government Practices Oversight Committee is a 23 member all-volunteer committee appointed by the Board of Supervisors in February, 1995, to look at management and efficiency issues within and around county government. The Committee consists of public and private sector employees, service users, and non-profit representatives. The committee has worked in three phases:

- GPOC completed a "Fact Book" (Phase One). The Fact Book is an "as is" assessment of most of the local governments within Orange County. It is designed to give a detailed description of "who does what" within the county as a whole.

- The Committee conducted a series of targeted dialogues with up to eight key constituencies (taxpayers, service recipients, other governmental managers, line employees, County managers, vendors, the media) to determine perceptions, realities, and constructive suggestions about the way local governments deliver services in Orange County.

- GPOC will use the information from Phase 1 and 2 to develop detailed recommendations (a blueprint for action) to the Board of Supervisors and the public as to the Committee's suggested operational changes intended to bring solid, effective delivery of services countywide.

Grand Jury Report: "Safeguards for the Management and Investment of Orange County Funds"

Following the County's bankruptcy filing, the County Grand Jury conducted an assessment of the activities of the Treasury function of the County. The Grand Jury issued a report calling for a new system for managing the investment of County funds. Highlights of the report include:

- The investments of funds under County control should be promulgated and implemented in four distinct phases.

- An investment process management team should be formed under the general direction of the Board of Supervisors and Chief Executive Officer. The team should be composed of the County Treasurer and newly established positions of Chief Financial Officer, Portfolio Manager and Trader.

- In conjunction with the adoption of appropriate Treasury investment processes, the County should establish guidelines consistent with the need for safety of principal first, then liquidity, and lastly yield.

- An applicable program is required to ensure the financial integrity of the investment process.

- Periodic financial audits are recommended to ensure compliance with the County's investment process.

- The office of the Treasurer should be restructured and office procedures and systems redefined.

League of Cities, Orange County Division: Council of Governments

The League of Cities is currently pursuing the creation of an Orange County Council of Governments (COG). A Joint Powers Agreement has been approved by a majority of the cities. The League has circulated materials identifying the functions and advantages of creating a JPA. Some of the proposal highlights are as follows:

- Formation of the COG would establish a dominant "entity" representing Orange County.

- Issues would be focused in one forum with diverse representation, thus unifying Orange County to speak with a collective voice on important subregional, regional and state issues.

- Creates an organization to handle air quality attainment strategies, provide subregional input to the Southern California Association of Governments (SCAG) and its development of mandated regional plans, liaison with the private sector, perform regional housing needs assessments and develop demographic data for use by members on a range of studies and planning activities.

- Countywide consensus would allow Orange County to advocate its positions and augment its standing within the region more effectively.

- Establishes a representative organization to be operational and capable of conducting studies, building consensus, formulating and implementing recommendations and advocating positions for the benefit of Orange County collectively.

- The organization would serve as a resource for, and not a barrier to member entities.

League of Cities, Orange County Division, Restructuring Super Committee

A League committee composed of 31 city council members and city managers prepared a "white paper" in August, 1995, which makes a series of recommendations about County governance, delivery of services, disposition of public assets and privatization. Highlights of the white paper include:

- The County Charter Subcommittee recommended that the structure of County government should be established through a Charter. Key elements of the Charter should include: the number of Board members should be increased in order to improve accountability; district boundaries and redistricting activities should be established by an independent body removed from political influence and conflicts of interest; the role of the Board of Supervisors should be to set policy, adopt budgets and hire and fire the CEO; compensation of Board members should be adjusted; the County should retain a CEO who would be responsible for implementing Board policy and administering day to day operations; all officials except for the Sheriff, District Attorney and Assessor should be appointed by the CEO; administrative staff support for the Board of Supervisors should be under the purview of the CEO; and every effort should be made to maximize the potential for privatization/contracting out County services.

- The Service Delivery Subcommittee developed preliminary evaluation criteria for distinguishing between core services that should continue to be delivered by the County, County services that should be delivered by cities, and regional services that should be considered for a Joint Powers Authority or Council of Governments.

- The Assets Management and Privatization Subcommittee's developed a series of recommendations addressing the potential dispensation of County assets and drafted five principles guiding the privatization of County services.

Supervisor Marian Bergeson: "Orange County 2001"

Orange County 2001, a proposal that would change the way regional services are delivered and programs administered throughout Orange County, was developed by Supervisor Bergeson. Highlights of the proposal include:

- The 5 member Board of Supervisors would be eliminated and replaced with a part time elected body and a single elected "County Mayor".

- Establishment of the Orange Regional Authority (ORSA) whose Board (an 8 member governing board call the Board of Commissioners) would advise and assist the elected County Mayor in providing services.

- The Board of Commissioners would receive only a per diem payment for each meeting. Meetings would be held bi-monthly or monthly and would be elected from the eight districts throughout Orange County's Region.

- The Mayor would operate four functional Divisions under ORSA, including Health and Human Services, Public Facilities, Public Protection and Transportation.

- Cities would assume at least four functions performed by the County of Orange, including law enforcement and police services, local planning and land use, low/moderate income housing and library administration.

- ORSA would contract with the State of California to perform functions of Election and Voter Registration, Local Agency Treasury and Investment, the administration of property taxes, and court and marshal operations.

- Under the Orange County 2001 all of the regions unincorporated areas would turn to city hood by the year 2001.

- Orange County suggests that the State of California devise a new method of revenue apportionment that ties specific sources of revenue with specific programs.

Orange County Business Council Restructuring Task Force

The Orange County Business Council Restructuring Task Force monitors restructuring efforts and discussions, and has developed a set of principles which it believes should guide restructuring activities in Orange County. Some of the "principles" the Business Council identifies are as follows:

- A countywide, collaborative agency review process leading to fewer agencies and reflecting a proper balance between an efficient organization of local services and easy access for citizens to their elected officials.

- Create a forum for discussing and deciding regional issues and develop a long term vision for our county.

- Confine the mission of local government to the delivery of essential public services. The private sector should provide essential services where it is cost effective.

- The County should only provide regional services which cannot be provided at the city level.

- The role of the Board of Supervisors should change to one of a policy body. A directly elected, part time Board would lead to better policy.

- The day to day affairs of the County should be managed by a Chief Executive Officer, who is hired by the Board of Supervisors and given the authority to hire, supervise, and fire all County employees.

- Local control must be restored to agencies that deliver local services. State and Federal mandates must be eliminated or adequately funded.

Supervisor Roger Stanton: Restructuring of Orange County Government

Several weeks after the County declared bankruptcy, Supervisor Stanton prepared a "white paper" on restructuring. Key elements of the paper include:

- A positive and lasting restructuring of county government must be comprehensive, and not piecemeal.

- The broad view of restructuring should include an analysis of the county's: (1) goals, (2) necessary activities, (3) organizational configuration, (4) accountability, decision making, and communications processes, (5) administrative staffing needs, (6) flexibility, and (7) the matrix of inter and intra governmental relationships.

- The following questions should be answered:
  1. What business are we in?
  2. What should we be doing?
  3. What is the best configuration?

- A more streamlined structure is preferable to mere cosmetic changes on an organization chart.

- The rational of elected department heads must be examined. An elected department head, operating with relative autonomy, is inconsistent with the notion of accountability within the chain of command.

- The creation of a County Executive Officer reporting to the Board of Supervisors, but with line authority over department heads.

- The ultimate product of restructuring must include sufficient flexibility to enable the organizational hierarchy to adapt to changing conditions. County government must have the flexibility to contract and downsize.

South County Issues Discussion Group: Water District Consolidation

The South County Issues Discussion Group (SCIDG) includes 18 special districts providing water and sewer service, primarily in southern Orange County. Acknowledging interest in water district consolidation by a previous Grand Jury, and research into this matter by various restructuring task forces, SCIDG commissioned a water district consolidation study last fall.

Public comment currently is being solicited on draft recommendations, and final recommendations are scheduled to be published in early July. Thereafter, a second phase of the study will result in the preparation of a report providing the Local Agency Formation Commission the information it needs to process the recommendations. The draft recommendations include:

- Reduce the number of districts by two-thirds.

- The "A List" recommendations, which are judged to have the highest compatibility, see several retail districts become subsidiary districts of the areas they serve, and other districts merging.

- Four existing water wholesalers in the County be consolidated into a single wholesaler.

- A "B List" of consolidations also merit consideration.

- No discussion of the SCIDG effort is complete without a discussion of AB2109 (Pringle), which would merge all special districts in Orange County into a single new water agency with a 10 person elected board. The bill passed the Assembly without a dissenting vote and appears likely to pass the Senate, although an effort is being mounted to amend it in the Senate Local Government Committee on July 3.